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Institutional units and the economically active population

Labour Statistics: Concepts, Sources and Methods

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'Institutional units' and the 'economically active population' form the basis of many labour statistics. A clear understanding of the 'institution' and of 'economic activity' is fundamental to the correct definition of these groups.

This chapter discusses the institutional units from which data are collected by the ABS in its business and household surveys. It also explains the concepts underlying measures of the economically active population produced by the ABS. These include the scope of economic activity and the United Nations System of National Accounts (SNA) production boundary, the scope of the economically active population, and the differentiation between current and usual economic activity.

The definition and measurement of institutions, which create jobs and therefore generate demand for labour services of the economically active population, and economic activity, by which the economically active population produce goods and services, are both governed by international standards and guidelines. The fundamental definitions of both are laid out in the 2008 SNA.

Standards and guidelines for measuring the economically active population are set out by the International Labour Organisation (ILO), and were first presented in the '[Resolution concerning statistics of the economically active population, employment, unemployment and underemployment, 1982](http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-by-international-conferences-of-labour-statisticians/WCMS_087481/lang--en/index.htm)' (No. 170) (http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-by-international-conferences-of-labour-statisticians/WCMS_087481/lang--en/index.htm), which was adopted by the Thirteenth International Conference of Labour Statisticians (ICLS). These standards and guidelines were subsequently incorporated into the [ILO's Labour Statistics Convention, 1985 \(No. 160\)](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0) (<http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0>).

:NO::P12100_INSTRUMENT_ID:312305).

In its manual [Surveys of Economically Active Population, Employment, Unemployment and Underemployment \(1990\)](http://www.ilo.org/public/english/bureau/stat/download/lfs.pdf) (<http://www.ilo.org/public/english/bureau/stat/download/lfs.pdf>), the ILO discusses the concepts and definitions underlying these standards and provides technical guidelines for how to apply them to the collection of data through household surveys. The ILO article 'Measurement of employment, unemployment and underemployment – Current international standards and issues in their application (2007)' provides a summary update of changes in the concepts and definitions.

Institutional units

An institutional unit is defined as:

"4.2 ...an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities."

[United Nations System of National Accounts \(https://unstats.un.org/unsd/2008nationalaccount/sna2008.asp\)](https://unstats.un.org/unsd/2008nationalaccount/sna2008.asp)

Institutional units can take a variety of forms, each of which operates with different objectives and behaviours. The SNA describes two types of institutional unit, being 'households' and 'legal or social entities.' It also describes the 'enterprise', being a view of an institutional unit as a productive unit.

The enterprise is the primary unit of the ASNA.

For more detail on the definition of institutions, see chapter 4 of [Australian System of National Accounts, Concepts, Sources and Methods \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/5216.0\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/5216.0).

Households

Households, which are providers of labour services, are defined as groups of persons who share the same living accommodation, who pool some, or all of their income and wealth, and who consume certain types of goods and services collectively, mainly housing and food¹. Households are primarily consumer units, although they may also engage in production and accumulation.

Legal or social entities

Legal or social entities, which create jobs and therefore generate demand for labour services, are defined as institutional units whose existence is, either legally or by society,

recognised independently of the persons or entities that may own or control them².

Legal or social entities include several forms of institutional units, such as 'corporations', 'non-profit institutions', and 'government units'.

Corporations

Corporations produce goods and services for sale on the market, usually as a source of profit for their owners. They may not, however, undertake final consumption.

Non-profit institutions

Non-profit institutions (NPIs) produce or distribute goods and services, but not for the purpose of generating income or profits. They are diverse in nature, with some behaving like corporations, some effectively part of general government, and some undertaking activities similar to general government but independent of it.

Government units

Government units organise and finance the provision of goods and services to individual households and the community at large, mainly financed from taxation revenue. They are also concerned with the distribution and redistribution of income and wealth, in accordance with government policies. They undertake production and final consumption on behalf of the population.

Enterprise

An enterprise is a view of an institutional unit as a producer of goods and services. Most enterprises consist of individual legal or social entities, or in some instances, combinations of unincorporated legal or social entities. A household can constitute an unincorporated enterprise with respect to its production of goods and services.

In the ASNA, the primary unit is the enterprise, which is part of the ABS Economic Units Model. Within the Economic Units Model, enterprises are grouped into institutional sectors and subsectors based upon their economic objectives, functions and behaviour. An enterprise can be a single legal entity, or a group of related legal entities which belong to the same institutional subsector. The Economic Units Model structures the often complex and unique relationships between businesses and parts of businesses into a framework that facilitates the compilation of meaningful statistics.

Institutional sectors

Corporations, non-profit institutions, government units and households are intrinsically different from each other in their economic objectives, functions and behaviour. The

institutional sectors of the SNA group together similar kinds of institutional units according to the nature of the economic role they perform³. SNA defines the following institutional sectors⁴:

- Financial Corporations;
- Non-financial Corporations;
- General government;
- Non-profit institutions serving households;
- Households; and
- Rest of the World.

The Standard Economic Sector Classifications of Australia (SESCA) (cat. no. 1218.0) is based upon international standards and contains a variety of classifications, including institutional sectors as laid out in the SNA. Within SESA, the Standard Institutional Sector Classification of Australia (SISCA) describes these sectors. Within SISCA, sectors can be further divided into a range of subsectors, which more accurately describe the activities of the institutional units within them.

Sectors can also be divided more simply into public and private, where the former includes all government units and units controlled by government, and the latter includes all other units. This breakdown is often used in the classification and dissemination of statistics from ABS business surveys.

The ASNA utilises a combination of SISCA subsectors and public/private distinctions to assign institutions to ASNA institutional subsectors. These ASNA subsectors are the level at which legal entities may be grouped into enterprises in the ABS Economic Units Model.

ABS Economic Units Model

For the compilation of statistics, the ABS has developed an Economic Units Model to further describe and categorise enterprises and their components. The Units Model is a tiered structure, containing four levels, namely the enterprise group, the legal entity, the type of activity unit, and the location unit. Most businesses are simple in structure and are considered to have only a single level (at all four levels, the business is identical), while some businesses are complex in structure and may be classified by all four levels of the Units Model.

Enterprise Groups

The Enterprise Group (EG) is an institutional unit which contains one or more legal entities

under common control and covers all of their collective activities in Australia. An EG can contain one or many legal entities and be divided into one or multiple Type of Activity Units or location units.

Legal Entities

The Legal Entity (LE) is an institutional unit which covers all activities in Australia of a single entity which possesses some or all of the rights and obligations of individual persons or corporations, or which behaves as such in respect of those matters of concern for economic statistics. In most cases the LE is equivalent to a single Australian Business Number (ABN) registration. LEs approximate the SNA concept of legal or social entities, but the concept is extended to include households engaged in productive economic activity.

Type of Activity Units

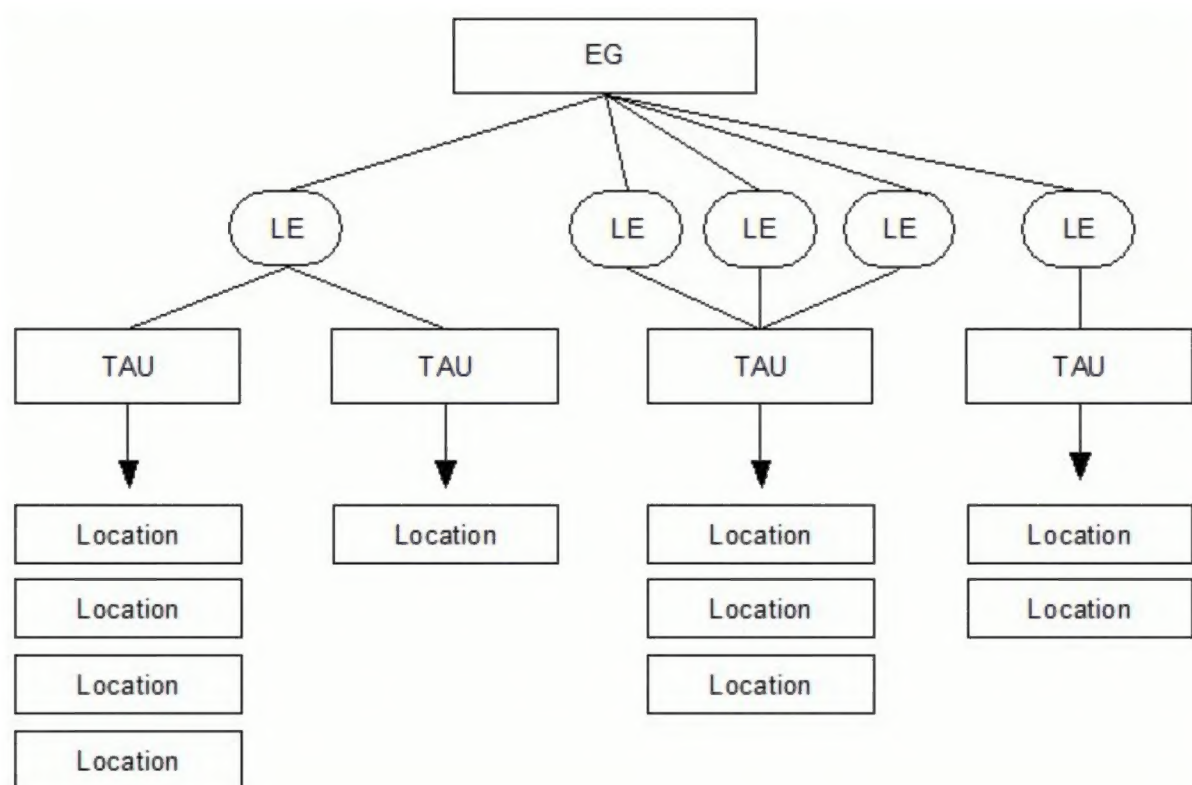
The Type of Activity Unit (TAU) is a producing unit comprised of one or more LEs, sub-entities or branches of a LE that can report productive and employment activities, and are homogeneous in their activity. TAUs operate within a single EG, and within a single industry subdivision in the Australian and New Zealand Standard Industrial Classification (ANZSIC).

Location Units

The Location Unit is comprised of a single, unbroken physical area from which an organisation is engaged in productive activity on a relatively permanent basis, or at which the organisation is undertaking capital expenditure with the intention of commencing productive activity on a relatively permanent basis at some time in the future.

The diagram below illustrates the nature of the relationships between the different units within the model.

ABS Economic Units Model



Economically active population

The economically active population comprises all persons who, during a specific period, furnished the supply of labour for the production of economic goods and services.

International Labour Organization, 13th ICLS, 1982

Understanding the economically active population is critical to interpreting statistics on labour supply and demand. The following section discusses the concept of economic activity, and defines the scope of the economically active population.

Scope of economic activity and the SNA production boundary

The concept of economic activity underlies measurement of the economically active population. The basis of this concept is found in the SNA concepts of 'production' and 'economic activity'. Production is broadly defined as all activities within the SNA 'general production boundary'.

Within this boundary are all physical processes, under the control and responsibility of institutional units, by which labour and assets are used to transform inputs of goods and services into outputs of other goods and services. Within the SNA, a more restrictive production boundary also exists, known as the 'SNA production boundary', which separates

economic activity from other production.

The SNA production boundary is a subset of the SNA general production boundary, allowing a distinction between economic activity and other production activities. Activities falling within the constraints of the SNA production boundary are considered to be economic activity, while those outside of it are not economic activity (regardless of whether they are within the SNA general production boundary or not). Activities within the SNA production boundary include all market and non-market production, and certain types of production for own final use.

Market production

Market production is considered in scope of the production boundary. Market production is the production of goods and services for sale on the market, at prices which are economically significant. Prices are said to be economically significant when they have a significant influence on the amounts the producers are willing to supply, and on the amounts purchasers wish to buy. Market production also extends to goods and services bartered; those used as payments in kind; those transferred within the same enterprise to be used as intermediate inputs into production over which the original producer has no responsibility; or changes in inventories of finished or in-progress goods, intended for one of the above purposes.

The activities of workers employed in factories, business enterprises, farms, shops, service undertakings, household enterprises and other economic units engaged in the production of goods and services intended for sale on the market are considered to be part of market production⁵.

Non-market production

Non-market production is considered in scope of the production boundary. Non-market production is the production of goods and individual or collective services produced either by non-profit institutions serving households or government entities that are supplied free or at prices which are not economically significant. Prices are said to be not economically significant when they have little or no influence on how much the producer is prepared to supply, and are expected to have only a marginal influence on the quantities demanded.

Among the most prevalent forms of non-market production are the provision of education and health care to the general public. The activities of employees of government and other social and cultural institutions producing these goods and services are considered to be non-market production⁶.

Production for own final use

Production for own final use can be subdivided into two groups based, roughly, on the divide between goods and services. The production of goods for own final use is included within the SNA production boundary, while the production of domestic and personal services for own final use is mostly excluded.

Production of goods for own final use

The production of goods for own final use is considered in scope of the production boundary. Production of goods for own final use includes the production and processing of primary produce by households for their own final consumption, the construction of dwellings and structures for own use, and the production of fixed assets⁷ for own use.

The production of goods is included as, although the output is intended for own use, the producer theoretically has the option of selling the goods on the market after they have been produced (e.g. if a household constructs a dwelling, the dwelling can then either be lived in or sold on the market). This production closely resembles market production, and could become market production if the choice was made to sell rather than consume the output⁸.

Production of domestic and personal services for own final use

The production of domestic and personal services for own final use is typically not considered in scope of the production boundary, however several exceptions exist.

The production of domestic and personal services is the production of services for consumption within the same household, such as the cleaning and repair of dwellings and household durables, goods and vehicles; the preparing of meals; caring for children or the sick; and the transportation of household members.

The decision to consume these services within the household is made even before the service is provided and, in contrast to the production of goods for own final use, the household cannot theoretically choose to sell the service after it has been produced (e.g. if a member of the household cleans a room or repairs a car, the cleaning or repair service cannot then be sold to another after it has been performed)⁹.

Although the production of household domestic and personal services is productive in an economic sense, they are excluded from the national accounts for practical reasons. From an SNA perspective, household services have little relevance for the analysis of inflation or deflation or other fluctuations within the economy, as they can't be sold and wouldn't have a price. Without substantial changes to the measurement of production, their inclusion could obscure what is happening on markets and reduce the analytic usefulness of national accounts data.

The SNA provides a number of justifications for this exclusion¹⁰, summarised as follows:

"6.30...the relative isolation and independence of these activities from markets, the extreme difficulty of making economically meaningful estimates of their values, and the adverse effects it would have on the usefulness of the accounts for policy purposes and the analysis of markets and market disequilibria."

[United Nations System of National Accounts \(https://unstats.un.org/unsd/2008nationalaccount/sna2008.asp\)](https://unstats.un.org/unsd/2008nationalaccount/sna2008.asp)

Domestic and personal services are also excluded from labour statistics because, without substantial revision to the way labour statistics are compiled, their inclusion would adversely affect the compilation of labour statistics that are relevant and useful in economic analysis. Using the current framework for labour statistics, which is linked to the SNA production boundary, the extension of the boundary to include the production of personal and domestic services by members of households for their own final consumption would result in all persons engaged in such activities becoming both economically active and self-employed. This would result in virtually the whole adult population being defined as 'economically active' and make unemployment virtually impossible by definition¹¹.

The production of housing services for own consumption by owner-occupiers is included in the SNA production boundary to account for large differences in rates of home ownership across countries. The production of own-account housing services has always been included in the SNA production boundary, and its exclusion would limit the comparability of the data both internationally and inter-temporally.

The paid employment of external staff to produce domestic and personal services for final consumption in the household is included in the SNA production boundary. The production of domestic and personal services by employing paid staff is considered market activity¹².

With the exception of own-account housing services and the paid employment of domestic staff, the production of domestic and personal services for own final use is not within the SNA production boundary, and therefore is not considered to be economic activity.

Unpaid work and volunteer services

Volunteers are people who willingly give unpaid help, in the form of time, service or skills, to an organisation or group. Included in this category are the volunteer component of boards of management, fundraising committee members and auxiliary members.

[Australian National Accounts: Non-Profit Institutions Satellite Account \(cat. no. 5256.0\) \(https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-non-profit-institutions-satellite-accounts/latest-release\)](https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-non-profit-institutions-satellite-accounts/latest-release)

Unpaid work and volunteer services are generally in scope of the SNA production boundary, however they are generally not considered in scope of the Australian production boundary in the ASNA and labour household surveys.

A distinction can be made between those who have an agreement to provide labour for token remuneration or only income in kind, those for whom there is explicitly no remuneration, and those where there is apparently no remuneration but the workers benefit directly from the output to which they contribute. In ILO statistics, all three types of worker may be included in the economically active population as employees.

In the SNA, persons working for token amounts or only income in kind are considered to be economically active if the unit employing these staff is responsible for whatever little remuneration is received. For example, if doctors or teachers work for only food and lodging, the value of this as income in kind is the only remuneration imputed to them, and they are considered within the SNA production boundary. Such instances may arise in religious institutions or in the wake of natural disasters.

If staff are purely voluntary, with no remuneration at all, not even in kind, but are working in a recognised institutional unit (business, government agency, not-for-profit organisation) engaged in economic activity, then these individuals are still regarded as being economically active in the SNA. Individuals providing services to groups of other individuals, such as coaching a children's sports team, without any associated infrastructure, are not regarded as being economically active but rather engaging in a leisure pursuit¹³.

Although unpaid volunteers and volunteer services may fall within scope of the SNA production boundary, they are excluded from the ASNA and therefore, with the exception of contributing family workers, from Australian labour statistics. Persons working for token amounts or payment in kind are included in the ASNA and therefore in Australian labour statistics.

Contributing family workers

If family members contribute to the output of an unincorporated enterprise, they are assumed to receive an element of remuneration in kind, and as such are treated as being in the economically active population¹⁴. As such, Australian labour statistics include estimates for contributing family workers, even though other unpaid work is excluded.

Illegal activities

The SNA states that illegal production should be included within the production boundary, providing a production process exists and the outputs have market demand.

The SNA classifies illegal production within two categories:

- The production of goods or services whose sale, distribution or possession is forbidden by law; and
- Production activities that are usually legal, but become illegal when carried out by unauthorised producers; for example, unlicensed medical practitioners.

The treatment of illegal activities within the SNA is based upon whether the action is considered to be a 'transaction' or an 'externality'. Transactions are actions (regardless of their legality) in which two units enter by mutual agreement, such as buying and selling goods or services. Externalities, however, are actions carried out by one unit which change the condition or circumstances of other units without their consent, such as theft, violence, pollution, or other unsolicited service or disservice.

Illegal actions that fit the characteristics of transactions are treated in the same way as legal actions within the SNA production boundary. Thus, a variety of illegal work is considered to be economic activity. This includes, but is not limited to:

- the production of illegal goods such as narcotics;
- the sale of stolen goods;
- working without authority (e.g. selling merchandise without a licence, working in the construction industry without a permit, or a foreign citizen working without an appropriate visa); or
- working off-the-book for tax evasion purposes or for fear of losing entitlements, or because the employer wants to avoid their obligations (e.g. superannuation payments, taxation, or other labour legislation requirements).

Illegal actions that fit the characteristics of externalities are not considered to be economic activity. Thus, thefts of goods from persons or households and other illegal activities which do not resemble transactions are not considered economic activity.

Illegal activity may involve both transactions and externalities. In such cases, these actions are considered separately, such that an action which is a transaction may be considered economic activity but one that is an externality is not. For example, theft is an externality and is not economic activity; however, the sale of those stolen goods is a transaction and may be considered economic activity.

Due to the difficulty in identifying and valuing illegal transactions, no explicit estimates for such activities are made in the Australian System of National Accounts and Australian labour statistics for the production of illegal goods, such as narcotics or for stolen goods. However, some illegal transactions are likely to be included if they are reported as part of legal activities or as income for taxation purposes, such as prostitution and illegal workers. As a result, their effects on employment and unemployment statistics are difficult to assess.

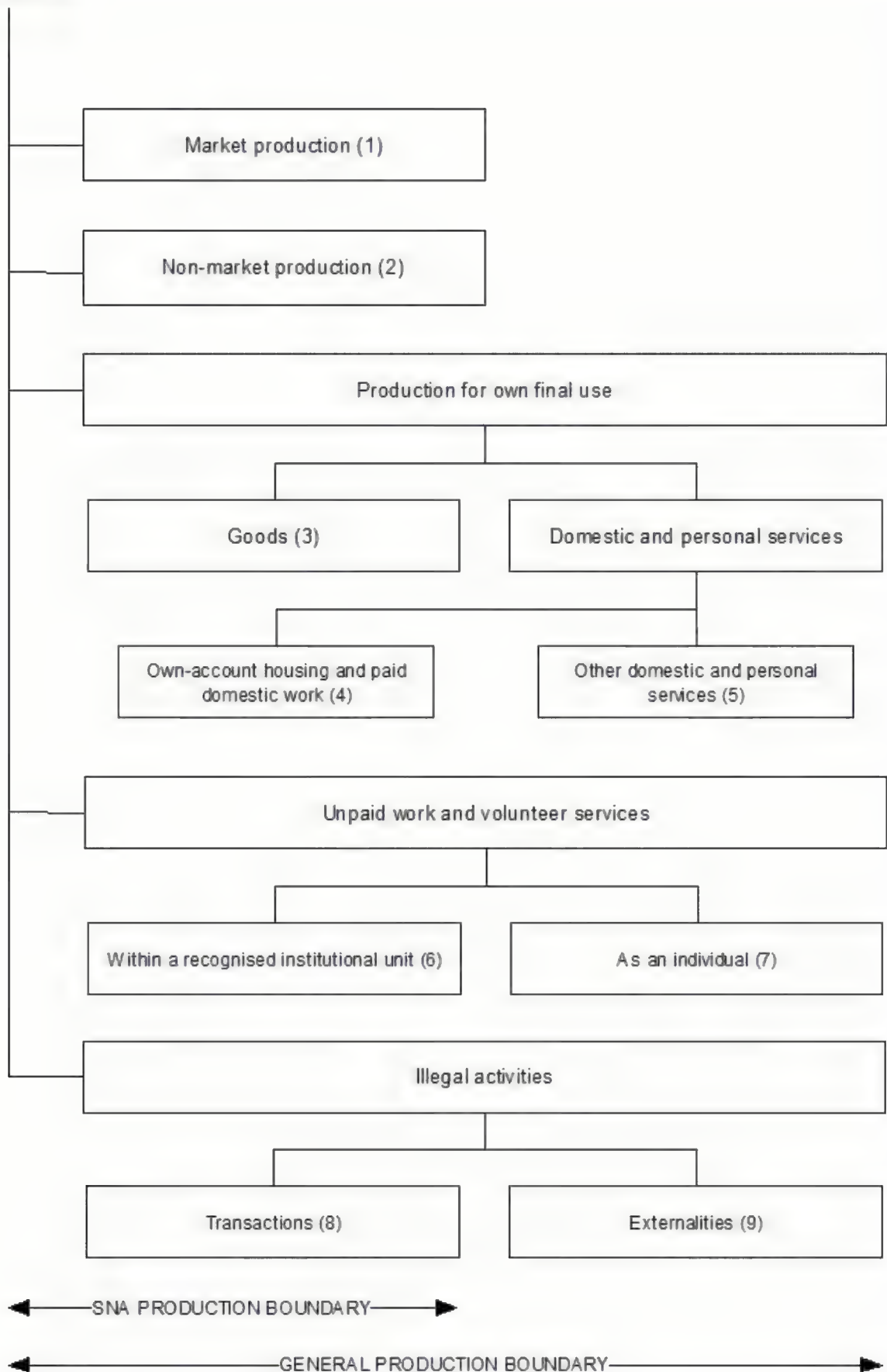
For more information refer to [Information Paper: The Non-Observed Economy and Australia's GDP, 2012](https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5204.0.55.008Main+Features12012?OpenDocument) (<https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5204.0.55.008Main+Features12012?OpenDocument>).

Determining the Production Boundaries in the SNA and the ASNA

The diagram below summarises the preceding information, and shows how the SNA general and production boundaries are constructed.

The Production Boundaries in the SNA

PRODUCTION

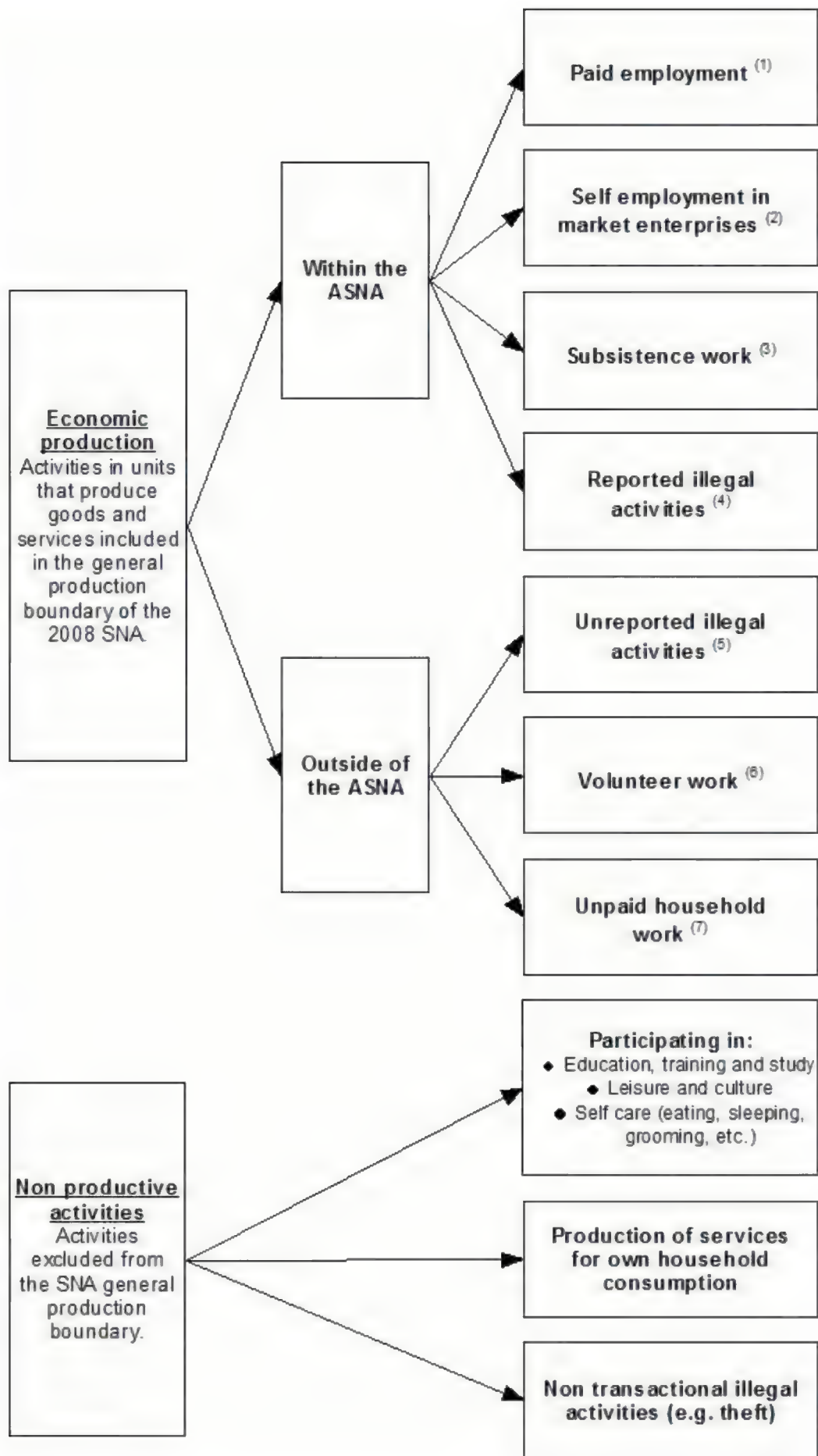


1. Production of goods and services normally intended for sale on the market.

2. Production of other goods and services, such as government activities.
3. Production and processing of primary products, construction of dwellings, and production of fixed assets.
4. Value gained from owning own home, and hiring a person external to the household to provide domestic and personal services to the household in exchange for remuneration.
5. Cleaning and repair of dwellings and household items, preparation of food, care for children or the sick, and transportation of household members.
6. Unpaid work within an institutional unit (e.g. working for an organised charity), work for token amounts or payment in kind received from an institutional unit (e.g. doctors or teachers working for food and lodging), and work of family members contributing to the output of an unincorporated family enterprise (e.g. children working in a family restaurant).
7. Unpaid work not within an institutional unit (e.g. charity work as an individual), work for token amounts of payment in kind not received from an institutional unit (e.g. a volunteer fed or housed by individuals), and the provision of services to groups of individuals (e.g. coaching children's sport) without any associated infrastructure.
8. Sale of stolen goods, production of illegal goods such as narcotics, illegal or unauthorised work (e.g. visitors working without an appropriate visa, working without appropriate permits, and work that is 'off the book').
9. Theft and violence.

The diagram below shows how the concept of economic activity is operationalised by the production boundary within the ASNA and Australian labour statistics.

The Production Boundaries in the ASNA



1. Activities of all employees remunerated in cash or in kind, including domestic paid employment.
2. Activities of employers, own account workers, members of producers' cooperatives and contributing family workers in units producing goods or services for the market. All activities in this category occur in household unincorporated market enterprises. Some goods or services produced may be consumed by the household. Includes the production of goods or services that are exchanged for other goods or services (barter). Includes self-employed workers rendering paid/remunerated domestic services to households.
3. Self-employment work in own household or another household with family ties that produces goods mainly for own final use. Considered in employment if such production comprises an important contribution to the total consumption of the household. A household with family ties relates to a household of which at least one member belongs to the family of the worker.
4. Illegal activities, despite a likelihood of being under-reported, are included in the scope of economic production in the ASNA if they are reported by businesses. These activities involve transactions between two parties, for example payments to employees below minimum rates or activities conducted without necessary permits or licenses.
5. Unreported transactional illegal activities are outside the scope of production in the ASNA. These activities include, for example, supply and purchase of illegal goods.
6. Volunteer work is performed without pay to advance a cause or produce a benefit that primarily helps someone other than one's own household or family. Volunteer work may be carried out in units that produce goods or services. Such units may be market enterprises, non-market organisations or households with no family ties that produce for own final use.
7. Unpaid work for another household with family ties that produces services for own final use. The output of these services is consumed by the household to which the services are rendered. Household services may be paid or unpaid. When paid, the worker may be in paid employment or self-employment and is a person engaged in economic activity. When unpaid, the worker may provide the service to his or her own household or to another household with family ties (i.e., as an unpaid household service) or to another household with no family ties (i.e., as volunteer work in the production of services by households).

Scope of the economically active population

The economically active population is defined as all persons, within the population, who contribute to economic activity or are available to contribute to economic activity. The economically active population can be defined using the notion of time, such that a usually economically active population and a currently economically active population can be constructed.

The definition of the 'population' is therefore fundamental to the scope of the economically active population and must be clearly defined.

The notion of a 'population', from which the economically active population can be surveyed, is contingent on a variety of criteria. The two key criteria are those defining the economic territory, within which the population exists; and those defining residence, which enable the inclusion or exclusion of individuals, households, and institutions from that economic territory.

There are also other criteria applied for practical reasons and, as such, the survey population is usually not identical to the total resident population of the economic territory. The ILO manual '[Surveys of the Economically Active Population, Employment, Unemployment and Underemployment, 1990](http://www.ilo.org/public/libdoc/ilo/1990/90B09_344_engl.pdf)' (http://www.ilo.org/public/libdoc/ilo/1990/90B09_344_engl.pdf) highlights the need for these additional criteria:

"2.2 Surveys of the economically active population should, in principle, cover the entire population irrespective of activity status, sex, marital status, ethnic group, etc. In practice, however, certain restrictions may be necessary."

[International Labour Organisation \(http://www.ilo.org/public/libdoc/ilo/1990/90B09_344_engl.pdf\)](http://www.ilo.org/public/libdoc/ilo/1990/90B09_344_engl.pdf)

Additional criteria which define the economically active population are age limitations, which restrict measures of the economically active population to certain age ranges; and membership of the armed forces, which typically restrict measures of the economically active population to the civilian population.

The following section discusses these four key population criteria, as they apply to Australian labour statistics, as well as the definitions of current and usual economic activity and the relationship between economic activity and the labour force.

Economic territory

The production of meaningful statistics about the economically active population requires that the economic territory to which the population relates is accurately defined.

The concept of economic territory in the SNA is not identical to the concept of country. The most commonly used definition is a territory under the effective economic control of a single government, and as such usually approximates the geographic borders of a country.

In principal, the economic territory of Australia as defined in the ASNA¹⁵ includes the geographic territory under the effective control of the Australian government, including:

- any islands belonging to Australia which are subject to the same fiscal and monetary

authorities as the mainland;

- the land area, airspace, territorial waters, and continental shelf lying in international waters over which Australia enjoys exclusive rights or over which it has, or claims to have, jurisdiction in respect of the right to fish or to exploit fuels or minerals below the sea bed; and
- territorial enclaves in the rest of the world (that is, geographic territories situated in the rest of the world and used, under international treaties or agreements, by general government agencies of the country). Territorial enclaves include embassies or consulates, military bases, scientific stations, etc. It follows that the economic territory of Australia does not include the territorial enclaves used by foreign governments which are physically located within Australia's geographical boundaries.

Specifically, the economic territory of Australia consists of geographic Australia including Cocos (Keeling) Islands, Christmas Island, Norfolk Island, Jarvis Bay, Australian Antarctic Territory, Heard Island and McDonald Islands, Territory of Ashmore Reef and Cartier Island, and the Coral Sea Islands.

The Joint Petroleum Development Area (JPDA) is considered joint territory between Australia and East Timor.

Within the Australian labour household surveys context, a distinction must be made between: the territories which determine the estimated resident population of Australia; those which are covered by household survey collection procedures; and those used to benchmark or 'weight' household survey estimates (i.e., the population benchmarks).

- The "other territories" of Australia, namely Jarvis Bay, Christmas Island, Cocos (Keeling) Island, and Norfolk Island after the 2016 Census, are included in the estimated resident population of Australia, but excluded from household survey collection procedures and population benchmarks.
- The "external territories" of Australia, namely Territory of Ashmore and Cartier Islands, Coral Sea Islands Territory, Australian Antarctic Territory, and Territory of Heard and McDonald Islands, are not included in the estimated resident population, household survey collection procedures or the population benchmarks.

Within the Australian labour business surveys context, no further geographical restrictions are imposed. Samples for business surveys are typically selected from the ABS Business Register, and therefore all businesses within the economic territory of Australia may be included, providing they meet other relevant scope restrictions.

This is further detailed within the relevant entry for each collection.

Residency

Within the SNA, residency is defined as the economic territory with which an institutional

unit or individual has the strongest connection - in other words, its centre of predominant economic interest. Each institutional unit or individual is a resident of one and only one economic territory.

Actual or intended residence for one year or more is used as an operational definition in many countries (including Australia) to facilitate international comparability.

Residence of individuals and households

Persons are considered to have the strongest connection with the economic territory in which they physically reside. In the broadest sense, the total population consists of either all usual residents of the country (the usually resident or de jure population) or all persons present in the country (the de facto population) at a particular time.

Household surveys use the first population category, the usually resident population. All persons who are usually resident in Australia are considered part of the usually resident population, regardless of nationality, citizenship or legal status.

To determine whether a person is usually resident, Australia has adopted a 12 in 16 month rule. This rule specifies that, to be considered a usual resident, a person must have been (or expect to be) residing in Australia for 12 months or more in a 16 month period. This 12 month period does not need to be consecutive.

The application of the 12 in 16 month rule in the labour household survey context cannot be so precise. A screening question asks if the respondent is a short term resident and, if so, they are excluded from the survey. Labour household surveys also include residents who are temporarily overseas for less than six weeks. However, the 12 in 16 month rule is explicitly applied in the estimated resident population, and the population benchmarks used to weight the LFS.

For more information regarding the 12 in 16 month rule, refer to [Information Paper: Improved Methods for Estimating Net Overseas Migration, 2006 \(https://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3107.0.55.003\)](https://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3107.0.55.003).

Residence of students

The residence of students is described as:

"26.83a ... People who go abroad for full-time study generally continue to be resident in the territory in which they were resident prior to studying abroad. This treatment is adopted even though their course of study may exceed a year. However, students become residents of the territory in which they are studying when they develop an intention to continue their presence in the territory of study after the completion of the studies."

Within the Australian labour household survey context, there is no special treatment for students and they are treated using the same 12 in 16 month rule. Within the Australian business survey context, there is no distinction made between students and other persons, such that they are included if they are an employee, irrespective of their length of stay in the country.

Residence of enterprises

Within the labour business survey context, the de facto population is used, that is, all employees are included irrespective of their length of stay in the country. This is consistent with the SNA production boundary.

As a general principle, an enterprise is resident in an economic territory when it is engaged in a significant amount of production of goods or services from a location in the territory¹⁶.

An enterprise is resident in an economic territory when there exists, within the economic territory, some location, dwelling, place of production, or other premises on which or from which the unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale. The location need not be fixed, so long as it remains within the economic territory¹⁷.

Corporations and non-profit institutions normally may be expected to have a centre of economic interest in the economy in which they are legally constituted and registered. Corporations may be resident in economies different from their shareholders, and subsidiaries may be resident in different economies from their parent corporations.

When a corporation, or unincorporated enterprise, maintains a branch, office, or production site in another territory to engage in a significant amount of production over a long period of time (usually one year or more) but without creating a corporation for the purpose, the branch, office, or site is considered to be a quasi-corporation (i.e., a separate institutional unit) resident in the territory in which it is located.

Within the Australian business survey context, residency is determined by deriving the sample selection of business frames from the Australian Business Register, which is an administrative data source maintained by the Australian Taxation Office (ATO). The registration of a business by the ATO is deemed to be a demonstration that the business has a centre of economic interest within Australia.

Age limits

The international standards and guidelines recognise the need to exclude persons below a certain age from measures of the economically population, without specifying a particular age limit. The responsibility for setting such limits lies with individual countries.

Examples of factors influencing the age limit are:

- legislation governing the minimum school leaving age;
- labour laws setting the minimum age for entering paid employment;
- the extent of the contribution to economic activity by young people; and
- the cost and feasibility of accurately measuring this contribution in household surveys.

Australian labour and compulsory schooling legislation have resulted in low numbers of young people being involved in economic activity. While such legislation varies from state to state, the net result is that age 15 is the lowest practical limit at which it is feasible, useful and cost-effective to measure the participation of young persons in economic activity with acceptable accuracy through household surveys. It should also be noted that this limit applies to all workers, including contributing family workers who perform unpaid work in a family business or farm.

As such, Australia has adopted a minimum age limit of 15 years and over in labour household surveys. While many household surveys do not use this age limit, estimates of economic activity are often made only for persons 15 years and over. Consistent with international guidelines, Australia does not apply a maximum age limit.

For more information regarding the significance of employment of those less than 15 years of age, refer to [Child Employment, Australia, Jun 2006 \(https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6211.0Main+Features1Jun%202006?OpenDocument\)](https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6211.0Main+Features1Jun%202006?OpenDocument).

Labour business surveys collect information irrespective of the age of the employee, consistent with the SNA.

Members of the armed forces

The international standards require that members of the armed forces be classified as employed, and recommend that, for analytical purposes, the economically active population be divided into two parts: the armed forces and the economically active civilian population. The guidelines recognise that there may be difficulties in obtaining measures of the armed forces from labour household surveys due to scope restrictions, and that separate administrative counts may be necessary to supplement survey results to obtain statistics on total employment.

Within the Australian labour household surveys context, permanent members of the

Australian Defence Force and members of non-Australian armed forces (and their dependants) are excluded.

The labour household surveys exclude permanent members of the Australian Defence Force because of practical collection difficulties. Where an estimate is required of the total economically active population, for example in international comparisons collated by the ILO, survey estimates are supplemented by administrative counts of the defence forces.

Non-permanent members of the Australian Defence Forces (i.e. Australian Army Reserve, Airforce Reserve or Navy Reserve) are included in the labour household surveys. Their work within the defence force is considered as economic activity in the same way as any other work.

Current and usual economic activity

The international standards identify two measures of the economically active population:

- The currently active population, measured in relation to a short reference period such as one week or one day; and
- The usually active population, measured in relation to a long reference period such as one year.

The currently active population provides a snapshot of the economically active population at a particular point in time. This current stock measure of the labour supply, collected at sufficiently frequent intervals, can contribute to the formation of national accounts data (particularly relating to compensation of employees), and can also be used to monitor labour market trends in general (and employment and unemployment levels in particular).

The usually active framework was introduced as an international standard in 1982. It provides a framework for the collection of data reflecting the dominant pattern of activities over a lengthy period. The use of a long reference period can provide more representative estimates of the economically active population, particularly where economic activity has significant seasonal variation. Further, as it permits collection of information on not only the main activity of individuals over the year but also their other activities (e.g. spells of employment and unemployment), it is useful for analysis of employment and income.

As Australia publishes frequent measures with short reference periods, in most cases it is the currently active concept which is measured.

The economically active population and the labour force

The currently economically active population is conceptually equivalent to the labour force.

Because the concept of the economically active population includes both persons who

contribute to economic activity and those who are available to contribute to economic activity, the current economically active population includes both employed persons and unemployed persons.

As most labour statistics reference a short reference period, the labour force is equivalent to the currently, rather than the usually, economically active population.

Footnotes

1. 2008 SNA, 4.4; ANSA, 1. 4.7
2. 2008 SNA, 4.6; ASNA, 4.10
3. 2008 SNA, 4.16-17
4. The same categories are followed in the ASNA, with the exception of the NPISH sector, which is instead combined with the household sector.
5. 2008 SNA 6.99
6. 2008 SNA 6.128
7. Fixed assets are defined in the SNA as produced assets that are used repeatedly, or continuously, in processes of production for more than one year (2008 SNA, 10.11)
8. 2008 SNA 6.114
9. 2008 SNA 1.42
10. For more detail, see 2008 SNA 1.41-2, 6.29-31
11. 2008 SNA, 1.42, 6.31
12. 2008 SNA 6.34 - 6.35
13. 2008 SNA, 19.37-39
14. 2008 SNA, 19.40
15. ASNA 4.38
16. 2008 SNA 26.4
17. BPM6 4.114